

# Washington State Auditor's Office

## Audit Report

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### City of Gig Harbor Pierce County

Audit Period  
January 1, 1999 through December 31, 1999

Report No. 61680

Issue Date  
**September 29, 2000**



Washington \_\_\_\_\_  
***State Auditor***  
\_\_\_\_\_ Brian Sonntag

# Audit Summary

**City of Gig Harbor  
Pierce County  
January 1, 1999 through December 31, 1999**

## ***ABOUT THE AUDIT***

This report contains the results of our annual independent audit of the City of Gig Harbor for the period January 1, 1999, through December 31, 1999.

We performed audit procedures to determine whether the City complied with state laws and regulations, its own policies and procedures, and federal grant requirements. We also audited the general purpose financial statements and evaluated internal controls established by City management. Our work focused on specific areas that have the potential for abuse and misuse of public resources.

## ***RESULTS***

The City complied with federal funding requirements, state laws, and its own policies and procedures in the areas examined. Internal controls were strong in the areas reviewed. The City's general purpose financial statements appeared to be accurate and complete.

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Pierce County  
January 1, 1999 through December 31, 1999**

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# Description of the City

## City of Gig Harbor Pierce County January 1, 1999 through December 31, 1999

### ***ABOUT THE CITY***

The City of Gig Harbor serves about 6,400 citizens in Pierce County. The City has a Mayor-Council form of government, with seven elected Council Members. The City's budget for the 1999-2000 biennium was slightly over \$19 million. The City has 58 full-time employees that provide an array of services including police, utilities (water, sewer, storm water), Municipal Court, street maintenance, and planning and economic development. The City contracts for fire protection, jail services, emergency medical services, solid waste collection, and health.

### ***ELECTED OFFICIALS***

These officials served during the audit period:

Mayor  
Council Members:

Gretchen A. Wilbert  
Bob Dick  
Steven Ekberg  
Nick Markovich  
Marilyn Owel  
John Picinich  
Corbett Platt  
Derek Young

### ***APPOINTED OFFICIALS***

City Administrator  
Finance Director

Mark Hoppen  
Dave Rodenbach

### ***ADDRESS***

City Hall

3105 Judson Street  
Gig Harbor, WA 98335  
(253) 851-8136

# Audit Areas Examined

## City of Gig Harbor Pierce County January 1, 1999 through December 31, 1999

In keeping with general auditing practices, we do not examine every portion of the City of Gig Harbor's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the City were examined during this audit period:

### **LEGAL COMPLIANCE**

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Budgeting requirements
- Conflict of interest
- Competitive bidding
- Local improvement districts
- Debt limitation
- Open Public Meetings Act
- Insurance requirements

### **INTERNAL CONTROL**

We evaluated the following areas of the City's internal control structure:

- Receipts and disbursements
- Purchases of goods and services
- Police Department evidence room
- Municipal Court cash receipting
- DISCIS security (software used by the Municipal Court)
- Payroll
- Information technology
- Small and attractive assets
- Municipal Court account adjustments

### **FINANCIAL AREAS**

In addition to the financial-related work listed in other categories, we audited the following areas:

- Financial statement presentation
- Long-term debt
- Subsequent events
- Taxes receivable
- Schedule of expenditures of federal awards
- Cash and investments
- Revenues and expenditures
- Property, plant and equipment
- Schedule of state and local financial assistance

## ***FEDERAL PROGRAMS***

We evaluated internal controls and tested compliance with the following federal requirements for the City's major federal program, which is listed in the Federal Summary section of this report:

- Allowable activities
- Davis-Bacon Act
- Project approvals
- Bid requirements
- Replacement of publicly owned property
- Allowable costs
- Competitive bidding
- Period of availability of federal funds
- Subrecipient monitoring
- Sampling program (tests of project materials and workmanship)

# Audit Overview

**City of Gig Harbor  
Pierce County  
January 1, 1999 through December 31, 1999**

## ***AUDIT HISTORY***

We audit the City of Gig Harbor annually. In the past seven years, we have reported no areas of concern. We believe this reflects the City's commitment to maintain a strong financial system with sufficient internal controls.

## ***CONCLUSIONS***

The City complied with federal funding requirements, state laws, and its own policies and procedures in the areas examined. Internal controls were strong in the areas reviewed. The City's general purpose financial statements appeared to be accurate and complete.

We thank City officials and staff for their assistance and cooperation during the audit.

# Federal Summary

**City of Gig Harbor  
Pierce County  
January 1, 1999 through December 31, 1999**

The results of our audit of the City of Gig Harbor are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

- We issued an unqualified opinion on the City's financial statements.
- We noted no instances of noncompliance that were material to the financial statements of the City.
- We issued an unqualified opinion on the City's compliance with requirements applicable to its major federal program.
- We reported no findings which are required to be disclosed under OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.
- The City qualified as a low-risk auditee under OMB Circular A-133.
- The following was a major program during the period under audit:

CFDA No.

20.205

Program Title

Highway Planning and Construction



# Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards

**City of Gig Harbor  
Pierce County  
January 1, 1999 through December 31, 1999**

Mayor  
City of Gig Harbor  
Gig Harbor, Washington

We have audited the general purpose financial statements of the City of Gig Harbor, Pierce County, Washington, as of and for the year ended December 31, 1999, and have issued our report thereon dated September 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## **COMPLIANCE**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed additional tests of compliance with state laws and regulations as required by Revised Code of Washington (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the City complied with the laws and the Constitution of the State of Washington, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the City's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the City and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under Government Auditing Standards.

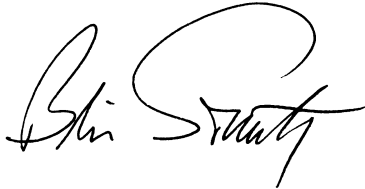
## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a large, stylized "S" and "T".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 19, 2000

# Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Gig Harbor  
Pierce County  
January 1, 1999 through December 31, 1999**

Mayor  
City of Gig Harbor  
Gig Harbor, Washington

## **COMPLIANCE**

We have audited the compliance of the City of Gig Harbor, Pierce County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The City's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

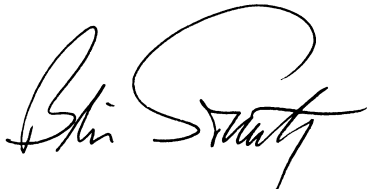
## **INTERNAL CONTROL OVER COMPLIANCE**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low

level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Mayor, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Brian Sonntag", with a large, stylized loop at the end.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 19, 2000

# Independent Auditor's Report on Financial Statements

## **City of Gig Harbor Pierce County January 1, 1999 through December 31, 1999**

Mayor  
City of Gig Harbor  
Gig Harbor, Washington

We have audited the accompanying general purpose financial statements of the City of Gig Harbor, Pierce County, Washington, as of and for the ended December 31, 1999. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

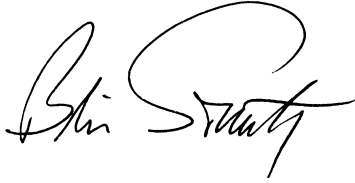
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Gig Harbor, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2000, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of State and Local Financial Assistance is also presented for purposes of additional analysis. These schedules are

not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

September 19, 2000

# General Purpose Financial Statements

**City of Gig Harbor  
Pierce County  
January 1, 1999 through December 31, 1999**

## ***GENERAL PURPOSE FINANCIAL STATEMENTS***

Combined Balance Sheet – All Fund Types and Account Groups – 1999  
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All  
Governmental Fund Types and Expendable Trust Fund Type – 1999  
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and  
Actual – General, Special Revenue and Debt Service Funds – 1999  
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances  
– All Proprietary Fund Types and Similar Trust Funds – 1999  
Statement of Cash Flows – Enterprise Funds – 1999  
Notes to the Financial Statements – 1999

## ***ADDITIONAL INFORMATION***

Schedule of State and Local Financial Assistance – 1999  
Schedule of Expenditures of Federal Financial Awards – 1999